



United States
Department of
Agriculture

Food and
Consumer
Service

Mountain
Plains
Region

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Reply to
Attn. of: CACFP-496

Subject: Questions and Answers Concerning the Two-tier Reimbursement
Structure for Family Day Care Homes (FDCHs) Participating in the
Child and Adult Care Food Program (CACFP)

To: STATE AGENCY DIRECTORS - Colorado DPHE, Iowa, Kansas, Missouri DH,
(Child Nutrition Programs) Montana DPHHS, Nebraska ED, North Dakota,
South Dakota, Utah and Wyoming

As you know, effective July 1, 1997, the two-tiered reimbursement rate structure will be implemented for day care homes participating in the CACFP. Under this structure, current rates (as adjusted for inflation and rounded down to the lower whole cent) will continue to be paid for all meals served in Tier I day care homes. Tier I day care homes are defined in the law as those which are: (1) located in a geographic area, as defined by the Secretary based on census data, in which at least 50 percent of the children residing in the area are members of households whose incomes are at or below 185 percent of poverty; (2) located in an area served by an elementary school in which at least 50 percent of enrolled children are eligible for free or reduced price meals; or (3) operated by a provider whose household income is at or below 185 percent of poverty, as verified by the sponsoring organization. All homes which do not meet the criteria for a Tier I day care home are Tier II day care homes.

In Tier II day care homes, it is the provider's choice whether to receive the (lower) Tier II reimbursements for all meals served to enrolled children, or to request that its sponsoring organization collect applications and identify income-eligible children. If a provider requests that income-eligible children be identified by the sponsor, all meals served to children whose income eligibility is documented are reimbursed at the Tier I rates, while all other meals are reimbursed at the Tier II rates. To accommodate homes in which two reimbursement rates are provided, the law requires the Secretary to establish simplified counting and claiming procedures. The law also allows an expanded categorical eligibility, involving participation in any Federal or State program with an income limit at or below 185 percent of poverty, for use by households with children in Tier II homes. The Tier II rates will be 95 cents for lunches and suppers, 27 cents for breakfasts, and 13 cents for supplements, as adjusted for inflation and rounded down to the lower whole cent on July 1, 1997.

Prior to implementation, one of the primary concerns of State Agencies (SAs) should be advising sponsors of the law's provisions and providing them with the appropriate data so that they are able to determine which of their day care homes are Tier I homes. In support of this, we provided in CACFP-485 dated November 5, 1996 preliminary information on requirements pertaining to the provision of elementary school data to facilitate CACFP SAs initiating discussions with the SAs that administer the National School Lunch Program. In CACFP-491 dated December 3, 1996, we provided information on census data that may be used to identify Tier I homes. It may be useful for SAs to explore the possibility of using, or contracting with someone to use, geomapping software to facilitate the effective use of census data, and to initiate contact with one of the State Data Centers listed in the attachment in CACFP-491.

Attached are questions and answers to a series of questions which have been received concerning the new two-tiered reimbursement system mandated for FDCHs in the CACFP. All of these answers are based strictly on the provisions of the law. Additional questions and answers will be forthcoming shortly.

If you have any questions regarding this information, please contact a member of my staff at (303) 844-0359.

Ann C. De Groat

ANN C. DEGROAT
Regional Director
Child Nutrition Programs

Attachment

cc: Colorado ED
Missouri ED
Montana OPI

Questions & Answers

Tier I Day Care Homes

Elementary School and Census Data

Question: State Agencies (SAs) are required to provide sponsoring organizations with census data and with elementary school free and reduced price enrollment data. Are SAs also required to provide sponsors with census maps and elementary school attendance area maps, or may they require sponsors to obtain these maps on their own?

Answer: While SAs may assist, sponsors have the responsibility to obtain census and elementary school attendance area maps on their own. Identifying the geographic boundaries of particular census block groups can most readily be done by consulting State Data Centers. Many State Data Centers are part of State government and, if they have the staff and resources, may be willing to provide free copies of block group maps, or even to work in determining block group boundaries. (A list of State Data Centers was transmitted in CACFP-491 dated December 3, 1996.) Census maps also may be available from municipalities or large public libraries. Elementary school attendance maps may be available from local school districts. Any costs associated with obtaining this information are allowable administrative costs. However, the Department also strongly encourages SAs to provide sponsors as much assistance as possible in obtaining and effectively utilizing census and school data. States may wish to use a portion of their allocation of the \$5 million in grant funds provided under Section 708(e)(2) of the law to assist sponsors in this effort.

Question: The legislative language regarding the use of elementary school free and reduced price enrollment data appears to assume that elementary schools draw their enrollment from a specifically defined geographical area. However, there are schools in which children are bussed in from throughout the school district. In such situations, how can elementary school free and reduced price enrollment data be used to qualify a day care home as a Tier I day care home?

Answer: In a situation when mandatory bussing has affected the percentage of free and reduced price eligibles in a neighborhood school, a school may be able to "factor out" the pupils bussed in from other areas and provide data on the percentage of free and reduced price eligibles in the school's immediate neighborhood. For example, some schools may maintain, for mailing purposes, a list of enrolled students by zip code, which could be used to identify pupils residing in low-income areas. However, when this is not possible, census block group data may be used to more precisely ascertain a neighborhood's true income poverty status. Individual providers may also be qualified using free and reduced price applications, if area data is not readily available or helpful.

Question: How is "elementary school" defined for the purposes of free and reduced price enrollment data?

Answer: Since there is no specific definition of "elementary school" in the law, States will be permitted to decide how to define "elementary" in accordance with how they typically categorize schools in the State. For example, a State with a rural area served by one school containing grades K-12 may define elementary school in such a case as K-12, while elementary schools in the rest of the State are K-5 or K-6.

Question: If there is a conflict between census data and elementary school free and reduced price enrollment data; i.e., a home is eligible as a Tier I home using one data source but not the other, how should a determination be made?

Answer: In general, we believe that census block group data should not be used when relevant, current-year information on free and reduced price eligibility in neighborhood elementary schools is available. Since census data are collected only once every 10 years, and release of the data by the Bureau of the Census typically does not occur until several years after the data are collected, school data are far more current and will, in most cases, more accurately represent current economic conditions in a given area. However, we recognize that there may be certain circumstances which warrant the use of census data to establish a day care home's eligibility as a Tier I day care home. For example, census data might be especially useful if the day care home is located in a rural area, where geographically large elementary school attendance areas may obscure localized pockets of poverty which can be identified through the use of census block group data. Similarly, in a case in which school data show an area to be close to the 50 percent threshold, census block group data may reveal specific portions of the school's attendance area which are eligible. Based on the above guidance, when the two data sources provide conflicting information, sponsoring organizations should consult with SAs to make an appropriate judgment on the home's status.

Question: Is the use of elementary school free and reduced price enrollment data restricted to specific elementary school attendance zones, or can larger areas (e.g., the entire school district) be utilized?

Answer: School district data may not be utilized. Area eligibility determinations using school enrollment data must be made on a school by school basis.

Provision of Data

Question: How and when will elementary school data be provided?

Answer: Section 708(e)(3) of the law added Section 17(f)(3)(e) to the National School Lunch Act (NSLA) to require that each SA that administers the school nutrition programs annually provide a list of elementary schools in the State in which at least one-half of the enrolled children are certified to receive free or reduced price meals. In order to implement the two-tiered reimbursement structure by July 1, 1997, the interim regulation requires that,

no later than February 15, 1997, each school food authority provide the National School Lunch Program (NSLP) SA with a list of all elementary schools under its jurisdiction in which 50 percent or more of enrolled children have been determined eligible for free or reduced price meals. No later than March 15, 1997, the NSLP SA must consolidate the information provided by school food authorities and provide the Child and Adult Care Food Program (CACFP) SA with a comprehensive list. The CACFP SA, in turn, will be required to provide all sponsoring organizations in the State with this information no later than April 1, 1997.

Question: The census data currently available; i.e., from the Summer Food Service Program (SFSP), provides information on the percentage of children, age 18 and under, who are free and reduced price eligible. The definition of child in the CACFP is age 12 and under. Can the SFSP census data be utilized until such time as census data establishing eligibility based upon children age 12 becomes available?

Answer: Yes. We will be providing a special tabulation for children age 12 and under, though we are unsure at this time how quickly it will be available. Therefore, the special tabulation of children age 18 and under should be used in the interim. Data from either of the special tabulations will be acceptable for documenting a home's eligibility as a Tier I day care home.

Making Tier I Home Determinations

Question: Who will be required to determine which homes are eligible as Tier I day care homes, the SA or sponsoring organizations?

Answer: Since Section 708(e)(3) of the law amends Section 17(f)(3) of the NSLA to require that elementary school and census data ultimately be provided to sponsoring organizations, it is clear that the law intends that sponsoring organizations will be responsible for determining which day care homes are eligible as Tier I day care homes. However, due to the financial liability associated with improper determinations, SAs will need to establish controls to ensure that sponsoring organizations are making these determinations properly.

Duration of Determinations

Question: How long is a Tier I eligibility determination based upon the provider's household income valid?

Answer: One year, as in all of the Child Nutrition Programs.

Question: How long are Tier I determinations based on elementary school and census data valid?

Answer: When a Tier I determination is made based on elementary school data, it is valid for 3 years. When census data are used, the determination is valid until more recent census data are available. In either case, an SA may shorten the duration of the determination if it subsequently learns or determines that a home is no longer in an eligible area.

Verification of Free and Reduced Price Applications

Question: Will sponsors be required to verify income eligibility information for providers whose homes qualify as Tier I day care homes on the basis of the provider's household income?

Answer: Yes. In accordance with the definition of a Tier I day care home contained in Section 708(e)(1) of the law, sponsors must verify the income of all providers whose homes qualify as Tier I day care homes on the basis of the provider's household income. This will involve verifying the income and other information provided on the approved application through collection of information such as pay statements and tax returns from households.

Provider's Own Children

Question: In homes which qualify as Tier I homes on the basis of area data (elementary school or census), are provider's own children automatically eligible for reimbursement?

Answer: In all day care homes, including Tier I homes that qualify on the basis of area data, providers must continue to demonstrate eligibility for free or reduced price meals in order to receive reimbursement for meals served to their own children. (Since a day care home may qualify as a Tier I home on the basis of the provider's household eligibility for free or reduced price meals, by definition there will be no meals reimbursed for provider's own children in Tier II homes.)

Tier II Day Care Homes

Question: Is a sponsor required to offer a Tier II day care provider the option of collecting income eligibility information from the families of enrolled children?

Answer: Yes.

Question: Which entity is responsible for collecting income eligibility information and making eligibility determinations for Tier II homes electing this option, the sponsor or the provider?

Answer: The sponsor, not the provider, is required to collect income eligibility information and make eligibility determinations when a provider in a Tier II day care home elects to have applications taken from the households of enrolled children.

Question: Can the household of a child in care in a Tier II home be required to complete and submit an income eligibility statement?

Answer: No, but all meals served to children with incomplete or missing applications will be reimbursed at the Tier II reimbursement rates.

Question: Can a Tier II provider increase the day care fee, or assess a separate meal charge, to households which are not eligible for Tier I rates or households which decline to submit an income eligibility statement?

Answer: Section 226.18(d) specifically prohibits day care home providers from assessing separate charges for meals served to enrolled children. Typically, providers charge fees that include the cost of meals served to the children. Within the limitation in the Regulations, providers are free to establish and change their day care fees as they see fit. Therefore, providers may charge various fees for children in their care, as long as a separate meal charge is not assessed.

Categorical Eligibility

Question: Will the "expanded" categorical eligibility contained in the law be restricted to children in care in Tier II homes, or will it also be extended to child and adult day care centers?

Answer: The expanded categorical eligibility provided in Section 708(e)(1) of P.L. 104-193 involves households with children in Tier II homes in which the child or parent is participating in any Federal or State child care or other benefit program with income standards at or below 185 percent of poverty. Due to its placement in the law, expanded categorical eligibility applies only to children enrolled in Tier II day care homes. It does not apply to determinations of eligibility of provider's own children in Tier I day care homes, nor to enrollees in child or adult day care centers.